*Department of Finance*

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# News Release

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## Government of Canada Releases Proposals to Improve the Taxation of Financial Institutions

The Honourable Jim Flaherty, Minister of Finance, is seeking public comment on draft amendments released today to improve the taxation of financial institutions by better aligning tax laws with new standards set out by the Accounting Standards Board. The intention to release these proposals was originally announced by the Minister on December 28, 2006.

"The Government is committed to reducing the compliance burden faced by Canadian businesses," said Minister Flaherty. "These changes will ease this burden on financial institutions as well as improve the economic efficiency of the tax system by improving the measurement of income and capital for tax purposes."

The proposed amendments to the Income Tax Act and the Income Tax Regulations relate to the calculation of:

- the income of financial institutions from certain share holdings and debt obligations;
- policy reserves that are deductible by insurance corporations in computing income for tax purposes; and
- the minimum tax for life insurance corporations resident in Canada.

These proposals are proposed to become effective for taxation years that begin on or after October 1, 2006.

This package also contains a number of additional changes to the "mark-to-market" rules determining the income of financial institutions from certain share holdings and debt obligations. These changes will provide that, in certain situations, securities held in corporations carrying on a stock exchange or a credit card business will not be subject to these rules.

Comments on these proposals are requested by November 30, 2007. Once the consultation period is over, the Government will work toward introducing these measures in Parliament at the earliest opportunity.

The legislative proposals and explanatory notes are available free of charge on the Department of Finance website. Printed copies are available for $10 from the Department of Finance Distribution Centre at 613-995-2855.

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